

**DEPARTMENT OF FOOD AND AGRICULTURE**

1220 N Street, Room A-224  
Sacramento, CA 95814-5621  
Phone (916) 654-1456  
Fax (916) 654-0867  
E-mail: [dairy@cdfa.ca.gov](mailto:dairy@cdfa.ca.gov)

**William (Bill) J. Lyons, Jr., Secretary**

January 2, 2003

**Re: Weighted Averages for Butter, Powder and Cheddar Cheese**

TO ALL INTERESTED PARTIES:

A request was made by a dairy industry organization to recalculate the weighted average costs for the three bulk commodities on a graduated and sequential cost bases in 5% increments starting at 75% and ending at 95%.

The table below shows the weighted average costs per pound for butter, powder and Cheddar cheese using specified percentages of production. For example, the weighted average cost for butter at the 80% level is the weighted average cost of 100% of the product from the three lowest cost plants and approximately 50% of the product of the fourth lowest cost plant, which gives the requisite 80% of butter. For each of the commodities, the 100% of total production weighted average cost matches the weighted average cost as found in the Manufacturing Cost Exhibits released in December 2002.

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**Weighted Average Costs per Pound for Butter, Powder and Cheddar Cheese**

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*Using 2000 – 2001 Cost Data and Updates for 2002 Labor and August 2002 Utility Costs*

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<u>Percent of Total Production</u>	<u>Bulk Butter</u>	<u>Nonfat Powder</u>	<u>Cheddar Cheese</u>
75%	\$0.1121	\$0.1419	\$0.1575
80%	\$0.1134	\$0.1427	\$0.1592
85%	\$0.1147	\$0.1433	\$0.1622
90%	\$0.1160	\$0.1441	\$0.1650
95%	\$0.1171	\$0.1462	\$0.1688
100%	\$0.1211	\$0.1512	\$0.1746

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Sincerely,

David K. Ikari, Chief